



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

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NEWS RELEASE

FOR RELEASE

March 15, 2012

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Nevada, Iowa.

The City's receipts totaled \$9,345,422 for the year ended June 30, 2011, a 24% decrease from the prior year. The receipts included \$2,469,074 in property tax, \$1,403,236 from tax increment financing, \$3,376,770 from charges for service, \$959,720 from operating grants, contributions and restricted interest, \$92,143 from capital grants, contributions and restricted interest, \$817,283 from local option sales tax, \$162,236 from unrestricted interest on investments and \$64,960 from the sale of assets.

Disbursements for the year totaled \$10,419,391, a 2% increase from the prior year, and included \$1,886,046 for debt service, \$1,677,280 for capital projects and \$1,366,288 for culture and recreation. Also, disbursements for business type activities totaled \$2,982,550.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1120-0820-B00F.pdf>.

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**CITY OF NEVADA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2011**

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**City of Nevada**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gearold E. Gull, II	Mayor	Jan 2014
Andrew Kelly	Mayor Pro tem	Jan 2014
Brett Barker (Appointed)	Council Member	Nov 2011
Thomas Haller	Council Member	(Resigned)
Christopher Clark (Appointed)	Council Member	Nov 2011
Jane Heintz	Council Member	Jan 2012
Brian Hanson	Council Member	Jan 2014
Ray Schwichtenberg	Council Member	Jan 2014
Elizabeth Hanson	City Administrator	Indefinite
Teresa Peterson-Smith	City Clerk	Indefinite
Brick, Gentry, Bowers, Swartz, Stolze, & Levis, P.C.	Attorney	Indefinite

**City of Nevada**



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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Nevada's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

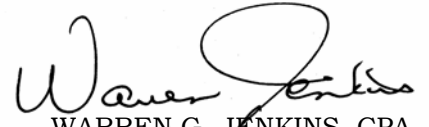
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2012 on our consideration of the City of Nevada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nevada's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 7, 2012



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Nevada provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Receipts for governmental activities decreased 30.7%, or approximately \$2,876,000, from fiscal year 2010 to fiscal year 2011. Bond proceeds decreased approximately \$2,740,000. Receipts for business type activities decreased approximately \$119,000, or 4.0%.
- Disbursements for governmental activities decreased 1.6%, or approximately \$124,000, in fiscal year 2011 from fiscal year 2010. Community and economic development disbursements increased 61%, or approximately \$140,000, due to the new agreement with the Nevada Economic Development Council (NEDC), increased Re-Development Incentive Fund payments and increased engineering services payments. Capital projects disbursements increased 58%, or approximately \$616,000, due to construction of the Senior Center and the K Avenue Reconstruction Project.
- Disbursements for business type activities increased approximately \$319,000, or 12%. Disbursements in the Water Fund increased 5.7%, or \$82,223, due to the new water tower maintenance contract. Sewer Fund disbursements increased \$237,374, or 17%, due to the completion of the Trickling Filter Project.
- Total cash basis net assets of the City decreased 9.96 %, or \$1,073,969, from fiscal year 2010 to fiscal year 2011, primarily due to the completion of projects for which bond proceeds had been received.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, road use tax, state and federal grants and user fees finance most of these activities.
- Business Type Activities include the water system, sanitary sewer system, sanitation and storm sewer utilities, including all capital projects associated with these activities. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales and Services Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds, such as Parks Planting (Hattery) and Cemetery Perpetual Care. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City, and the Sanitation and Storm Water Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

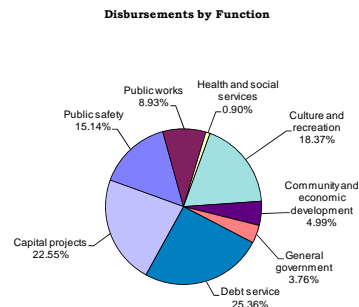
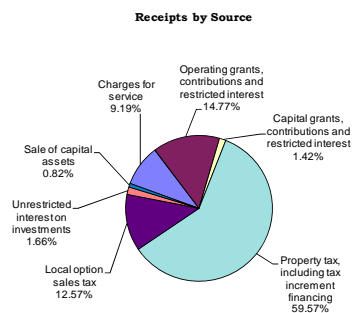
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$6,755,836 to \$5,954,501. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 597	632
Operating grants, contributions and restricted interest	960	964
Capital grants, contributions and restricted interest	92	318
General receipts:		
Property tax, including tax increment financing	3,872	3,895
Local option sales tax	817	797
Unrestricted interest on investments	108	29
Bond and note proceeds, net of discount	-	2,740
Sale of capital assets	53	-
Total receipts	<u>6,499</u>	<u>9,375</u>
Disbursements:		
Public safety	1,126	1,126
Public works	664	660
Health and social services	67	73
Culture and recreation	1,366	1,277
Community and economic development	371	231
General government	280	287
Debt service	1,886	1,946
Capital projects	1,677	1,061
Payment to refunding bond agent	-	900
Total disbursements	<u>7,437</u>	<u>7,561</u>
Change in cash basis net assets before transfers	(938)	1,814
Transfers, net	136	(150)
Change in cash basis net assets	(802)	1,664
Cash basis net assets beginning of year	6,756	5,092
Cash basis net assets end of year	<u>\$ 5,954</u>	<u>6,756</u>



The City's total receipts for governmental activities decreased 30.7%, or approximately \$2,876,000. Charges for service decreased approximately \$35,000, or 5.5%. Operating and capital grants decreased approximately \$230,000. Property tax decreased approximately \$23,000. Local option sales tax increased approximately \$20,000, or 2.5%. Unrestricted interest on investments increased 272%, or approximately \$79,000. Bond proceeds decreased approximately \$2,740,000 because there were no new debt issuances in fiscal year 2011.

The total cost of all governmental activities programs and services decreased approximately \$124,000, or 1.6%. Culture and recreation disbursements increased approximately \$89,000, or 7.0%. Community and economic development disbursements increased approximately \$140,000 due to the new agreement with the NEDC and additional Re-Development Incentive Fund payments. Capital projects disbursements increased approximately \$616,000, or 58%, primarily due to the Senior Center construction and completion of the K Avenue and 15<sup>th</sup> Street projects. In addition, the City paid \$900,000 to the refunding bond agent in fiscal year 2010 which did not occur in fiscal year 2011.

The City's property tax rate in fiscal year 2011 was \$15.04350 per \$1,000 of taxable valuation. The property tax rate for fiscal year 2011 is slightly below the fiscal year 2010 levy rate. The City's property tax rate has not increased significantly in fourteen years, except for the voted capital improvements levy in fiscal year 2009.

The cost of all governmental activities this year was approximately \$7.437 million compared to approximately \$7.561 million last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$5.788 million because some of the cost was paid by those directly benefiting from the programs (\$597,000) or by other governments and organizations which subsidized certain programs with grants, contributions and unrestricted interest (\$1,052,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2011 from approximately \$1.914 million to approximately \$1.649 million, primarily due to completion of capital projects for which grant funds were received. The City paid for the remaining "public benefit" portion of governmental activities with \$4,986,849 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,582	\$ 1,657
Sewer	1,079	1,128
Other	118	117
Capital grants, contributions and restricted interest	1	1
General receipts:		
Unrestricted interest on investments	54	62
Sale of capital assets	12	-
Total receipts	<u>2,846</u>	<u>2,965</u>
Disbursements:		
Water	1,513	1,431
Sewer	1,399	1,162
Other	71	71
Total disbursements	<u>2,983</u>	<u>2,664</u>
Change in cash basis net assets before transfers	(137)	301
Transfers, net	(136)	150
Change in cash basis net assets	(273)	451
Cash basis net assets beginning of year	4,032	3,581
Cash basis net assets end of year	<u>\$ 3,759</u>	<u>\$ 4,032</u>

Total business type activities receipts for fiscal year 2011 were approximately \$2.846 million compared to approximately \$2.965 million last year. Total business type activities disbursements for fiscal year 2010 were approximately \$2.983 million, compared to approximately \$2.664 million last year. The transactions and cash balance of the sanitation utility, established in July 2005, did not change appreciably. The City created a storm water utility in fiscal year 2010.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Nevada completed the year, its governmental funds reported a combined fund balance of \$5,949,340.

- The General Fund (includes the general, hotel/motel, general capital revolving, self insurance and sick and vacation accounts) cash balance increased \$317,757 to \$2,419,706.
- The Special Revenue, Road Use Tax Fund cash balance increased \$91,469 to \$587,701 due to the retirement of the Streets Supervisor and postponement of certain equipment purchases.
- The Special Revenue, Local Option Sales and Services Tax Fund cash balance increased \$268,773 to \$754,099, primarily due to receipts not decreasing as expected and disbursements corresponding to receipt estimates.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$981,579 at the end of the fiscal year, a decrease of \$7,100 from the previous year.
- The Debt Service Fund cash balance decreased \$441,011 to \$209,274, primarily due to the planned use of the escrow account to pay for a portion of the call notice for the Gates Hall debt in June 2011.
- The Capital Projects Fund began the year with a cash balance of \$1,084,128 and ended with a balance of \$214,852, a decrease of \$869,276. The balance fluctuates greatly between years due to projects and funding. The decrease is primarily due to completion of projects in fiscal year 2011 for which bonds were issued in fiscal year 2010.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$164,966 from a balance of \$1,352,942 to \$1,517,908 primarily due to a repayment from the Special Revenue, Urban Renewal Tax Increment Fund and decreased supplies costs during the fiscal year.
- The Enterprise, Sewer Fund cash balance decreased \$410,021 to \$2,219,642. The City completed construction of the Trickling Filters and used cash balances to pay for the project instead of issuing debt. The fund balance is expected to recuperate from this disbursement over the next two years.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on March 28, 2011 and resulted in an increase in operating disbursements of \$131,306 for public safety, public works, health and social services, culture and recreation, community and economic development and capital projects. The second amendment was approved on May 23, 2011 and resulted in an increase in operating disbursements of \$38,883 for public safety, public works and culture and recreation.

The City's receipts were \$209,887 more than budgeted, a variance of 2.32%. The City received \$278,917 less than budgeted for charges for service.

Total disbursements were \$1,865,559 less than budgeted, due primarily to the City's capital projects being partially completed in fiscal year 2010 and the wastewater treatment plant ultra violet system construction being postponed.

## DEBT ADMINISTRATION

On June 30, 2011, the City had \$15,762,000 of outstanding bonds and other long and short term debt, compared to \$17,655,000 last year, as shown below. No new debt was issued during fiscal year 2011. The reduction in outstanding debt is due to the payment of \$1,893,000 of principal on all issues.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation notes:		
4/1/2002 - Gates Hall Remodeling - \$770,000	\$ -	395,000
11/15/2008 - Refunding - \$635,000	90,000	180,000
5/18/2010 - Street Improvement and Refunding - \$2,775,000	2,040,000	2,775,000
Urban renewal tax increment revenue bonds:		
11/15/2008 - City Hall - \$6,500,000	6,200,000	6,400,000
5/6/2009 - Nevada Economic Development Council - \$475,000	425,000	475,000
Revenue bonds:		
1/3/1995 - Sewer Revolving - \$1,114,000	235,000	305,000
1/14/2005 - Water - \$8,438,000	6,772,000	7,125,000
Total	\$ 15,762,000	17,655,000

The City continues to pursue an aggressive payback schedule on most of the debt issues outstanding. This allows the City the flexibility to issue new debt to finance additional projects on a regular basis.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the actual value of all taxable property within the City's corporate limits (\$326,959,615 x 5% = \$16,347,981). The City's outstanding general obligation debt of \$8,755,000 (general, TIF and LOST debt) is significantly below its constitutional debt limit of \$16,347,981.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Nevada's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities.

The City's taxable valuation increased \$14,973,655 between fiscal years 2010 and 2011 (\$154,627,158 - \$139,653,503), resulting in an increase in General Fund property tax of \$140,558.

Tax increment financing receipts are budgeted to increase \$84,144 in fiscal year 2012, from \$1,376,325 to \$1,460,469.

The City's expected receipts for fiscal year 2012 are \$8,919,107 (without transfers) as opposed to fiscal year 2011 budgeted receipts of \$9,027,974 (without transfers).

The City's disbursements for fiscal year 2012 are expected to decrease from the original budget of \$12,055,346 (without transfers) for fiscal year 2011 to \$9,056,220 for fiscal year 2012 (without transfers), primarily due to capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to increase \$5,400,845 to \$7,477,696 at the close of fiscal year 2012.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Peterson-Smith, City Clerk, 1209 6<sup>th</sup> Street, P O Box 530, Nevada, Iowa 50201.

## **Basic Financial Statements**

City of Nevada

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,126,133	115,515	79,985	54,872
Public works	664,270	2,501	653,948	16,962
Health and social services	66,568	-	-	-
Culture and recreation	1,366,288	343,489	166,189	-
Community and economic development	370,330	575	5,065	-
General government	279,926	105,263	30,058	-
Debt service	1,886,046	4,393	24,475	-
Capital projects	1,677,280	25,653	-	19,714
Total governmental activities	7,436,841	597,389	959,720	91,548
Business type activities:				
Water	1,513,088	1,582,118	-	282
Sewer	1,398,655	1,079,544	-	313
Other	70,807	117,719	-	-
Total business type activities	2,982,550	2,779,381	-	595
<b>Total Primary Government</b>	<b>\$ 10,419,391</b>	<b>3,376,770</b>	<b>959,720</b>	<b>92,143</b>
<b>Component Unit:</b>				
Nevada Economic Development Council	\$ 208,041	137,484	125,313	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Capital projects				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Nonexpendable:				
Permanent funds				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				
Primary Government				Component Unit
Governmental Activities	Business Type Activities	Total		Nevada Economic Development Council
(875,761)	-	(875,761)		-
9,141	-	9,141		-
(66,568)	-	(66,568)		-
(856,610)	-	(856,610)		-
(364,690)	-	(364,690)		-
(144,605)	-	(144,605)		-
(1,857,178)	-	(1,857,178)		-
(1,631,913)	-	(1,631,913)		-
(5,788,184)	-	(5,788,184)		-
-	69,312	69,312		-
-	(318,798)	(318,798)		-
-	46,912	46,912		-
-	(202,574)	(202,574)		-
(5,788,184)	(202,574)	(5,990,758)		-
-	-	-		54,756
1,916,127	-	1,916,127		-
513,807	-	513,807		-
39,140	-	39,140		-
1,403,236	-	1,403,236		-
817,283	-	817,283		-
108,355	53,881	162,236		-
52,953	12,007	64,960		-
135,948	(135,948)	-		-
4,986,849	(70,060)	4,916,789		-
(801,335)	(272,634)	(1,073,969)		54,756
6,755,836	4,031,814	10,787,650		6,621
\$ 5,954,501	3,759,180	9,713,681		61,377
\$ 119,363	-	119,363		-
587,701	-	587,701		-
331,579	-	331,579		-
859,274	238,375	1,097,649		-
214,852	1,110,337	1,325,189		-
2,408,077	262,558	2,670,635		-
1,433,655	2,147,910	3,581,565		61,377
\$ 5,954,501	3,759,180	9,713,681		61,377

City of Nevada

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue			
	General	Road Use Tax	Local Option Sales and Services Tax	Urban Renewal Tax Increment
<b>Receipts:</b>				
Property tax	\$ 1,455,246	-	-	-
Tax increment financing	-	-	-	1,403,236
Other city tax	52,740	-	817,285	-
Licenses and permits	97,724	-	-	-
Use of money and property	139,047	2,893	5,086	16,215
Intergovernmental	190,286	659,101	-	-
Charges for service	226,080	-	-	-
Special assessments	-	-	-	-
Miscellaneous	94,970	-	73,223	-
<b>Total receipts</b>	<b>2,256,093</b>	<b>661,994</b>	<b>895,594</b>	<b>1,419,451</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	994,898	34,880	42,058	-
Public works	-	600,645	63,821	-
Health and social services	-	-	66,568	-
Culture and recreation	1,312,189	-	1,748	-
Community and economic development	60,496	-	82,499	224,189
General government	268,094	-	12,336	-
Debt service	-	-	-	597,170
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>2,635,677</b>	<b>635,525</b>	<b>269,030</b>	<b>821,359</b>
Excess (deficiency) of receipts over (under) disbursements	(379,584)	26,469	626,564	598,092
<b>Other financing sources (uses):</b>				
Sale of land	39,715	-	-	-
Sale of equipment	8,238	5,000	-	-
Operating transfers in	649,388	60,000	-	-
Operating transfers out	-	-	(357,791)	(605,192)
<b>Total other financing sources (uses)</b>	<b>697,341</b>	<b>65,000</b>	<b>(357,791)</b>	<b>(605,192)</b>
Net change in cash balances	317,757	91,469	268,773	(7,100)
Cash balances beginning of year	2,101,949	496,232	485,326	988,679
Cash balances end of year	\$ 2,419,706	587,701	754,099	981,579
<b>Cash Basis Fund Balances</b>				
Nonspendable	\$ -	-	-	-
Restricted for:				
Debt service	-	-	-	650,000
Streets	-	587,701	-	-
Capital projects	-	-	-	-
Other purposes	991,212	-	754,099	331,579
Unassigned	1,428,494	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 2,419,706</b>	<b>587,701</b>	<b>754,099</b>	<b>981,579</b>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
501,417	37,946	395,701	2,390,310
-	-	-	1,403,236
12,389	1,193	12,440	896,047
-	-	-	97,724
8,260	9,715	60,470	241,686
-	10,000	24,862	884,249
-	25,654	771	252,505
4,393	-	-	4,393
-	-	108,261	276,454
526,459	84,508	602,505	6,446,604
-	-	55,225	1,127,061
-	-	-	664,466
-	-	-	66,568
-	-	53,639	1,367,576
-	-	3,157	370,341
-	-	-	280,430
1,288,876	-	-	1,886,046
-	1,677,280	-	1,677,280
1,288,876	1,677,280	112,021	7,439,768
(762,417)	(1,592,772)	490,484	(993,164)
-	-	-	39,715
-	-	-	13,238
321,406	723,496	-	1,754,290
-	-	(655,359)	(1,618,342)
321,406	723,496	(655,359)	188,901
(441,011)	(869,276)	(164,875)	(804,263)
650,285	1,084,128	947,004	6,753,603
209,274	214,852	782,129	5,949,340
-	-	119,363	119,363
209,274	-	-	859,274
-	-	-	587,701
-	214,852	-	214,852
-	-	662,766	2,739,656
-	-	-	1,428,494
209,274	214,852	782,129	5,949,340

**City of Nevada**

City of Nevada

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2011

**Total governmental funds cash balances (page 17)** \$ 5,949,340

***Amounts reported for governmental activities in the Statement of  
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the assets of the Internal Service Fund is included in governmental activities in the Statement of Activities and Net Assets.

5,161

**Cash basis net assets of governmental activities (page 15)** \$ 5,954,501

**Net change in cash balances (page 17)** \$ (804,263)

***Amounts reported for governmental activities in the Statement of  
Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with governmental activities.

2,928

**Change in cash basis net assets of governmental activities (page 15)** \$ (801,335)

See notes to financial statements.

**Exhibit D**

## City of Nevada

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise				Internal
	Water	Sewer	Nonmajor	Total	Service Flexible Benefits
Operating receipts:					
Use of money and property	\$ 10,368	-	-	10,368	-
Charges for service	1,460,429	1,054,434	116,407	2,631,270	42,029
Miscellaneous	111,322	25,109	898	137,329	-
Total operating receipts	1,582,119	1,079,543	117,305	2,778,967	42,029
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	10,426
Public works	-	-	-	-	2,205
Culture and recreation	-	-	-	-	14,466
Community and economic development	-	-	-	-	121
General government	-	-	-	-	5,664
Business type activities	928,859	662,607	70,807	1,662,273	5,711
Total operating disbursements	928,859	662,607	70,807	1,662,273	38,593
Excess of operating receipts over operating disbursements	653,260	416,936	46,498	1,116,694	3,436
Non-operating receipts (disbursements):					
Interest on investments	26,287	28,188	415	54,890	-
Sale of land	12,007	-	-	12,007	-
Debt service	(584,563)	(79,302)	-	(663,865)	-
Capital projects	-	(656,920)	-	(656,920)	-
Net non-operating receipts (disbursements)	(546,269)	(708,034)	415	(1,253,888)	-
Excess (deficiency) of receipts over (under) disbursements	106,991	(291,098)	46,913	(137,194)	3,436
Operating transfers in	283,786	-	-	283,786	-
Operating transfers out	(225,811)	(118,923)	(75,000)	(419,734)	-
Net change in cash balances	164,966	(410,021)	(28,087)	(273,142)	3,436
Cash balances beginning of year	1,352,942	2,629,663	48,432	4,031,037	3,010
Cash balances end of year	\$1,517,908	2,219,642	20,345	3,757,895	6,446
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Debt service	\$ -	238,375	-	238,375	-
Water deposits	52,245	-	-	52,245	-
Water capital revolving	5,647	-	-	5,647	-
Sewer construction	-	730,402	-	730,402	-
Sewer EPA	-	346,163	-	346,163	-
Sewer revolving	-	210,313	-	210,313	-
Sewer capital revolving	-	28,125	-	28,125	-
Unrestricted	1,460,016	666,264	20,345	2,146,625	6,446
Total cash basis fund balances	\$1,517,908	2,219,642	20,345	3,757,895	6,446

See notes to financial statements.

City of Nevada

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Statement of Activities and Net Assets –  
Proprietary Funds

As of and for the year ended June 30, 2011

**Total enterprise funds cash balances (page 20)** \$ 3,757,895

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the assets of the Internal Service Fund is included in business type activities in the Statement of Activities and Net Assets.

1,285

**Cash basis net assets of business type activities (page 15)** \$ 3,759,180

**Net change in cash balances (page 20)** \$ (273,142)

***Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's flexible benefits and prescription plans to individual funds. A portion of the change in net assets of the Internal Service Fund is reported with business type activities.

508

**Change in cash basis net assets of business type activities (page 15)** \$ (272,634)

See notes to financial statements.

City of Nevada

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

The City of Nevada is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1853 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, sanitation and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Nevada has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Nevada (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These non-profit organizations were formed under Chapter 504A of the Code of Iowa.

Discretely Presented Component Unit – The Nevada Economic Development Council (NEDC) is presented in a separate column to emphasize it is legally separate from the City, but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The NEDC is governed by a thirteen-member board. There are four standing board positions and nine members are elected at-large. The NEDC's operating budget is subject to the approval of the City Council.

Blended Component Units – Nevada Firefighters Incorporated, Nevada First Responders, the Senior Citizen Center and the Friends of the Library are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.



### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Emergency Management Commission and Story County Joint E911 Service Board.

The City also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Central Iowa Regional Transportation Planning Agency and Central Iowa Area Safety and Support Organization.

### B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Funds.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general and emergency tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales and Services Tax Fund is used to account for receipts from the local option sales and services tax. The receipts are used to finance community betterment in the City.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing receipts and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following proprietary fund:

An Internal Service Fund is utilized to account for the contributions made to the flexible benefits and prescription plans by City employees and the subsequent reimbursement for eligible claims.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

During the year ended June 30, 2008, the City transferred \$180,000 received by the City through an estate bequest to a local non-profit organization (Foundation). At June 30, 2011, the carrying amount and fair value was \$176,318 and \$178,917, respectively. The Foundation holds investments in domestic and international equities, fixed income, hedge funds, real estate, private equity and cash.

Concentration of credit risk – The City's investment policy specifies no more than 5% of the City's investments may be invested in any one issuer. Although the City did not invest more than 5% of the City's investments in any one issuer, more than 5% of the City's investments are in funds held by the Foundation. The City's investments in funds held by the Foundation are 100% of the City's total investments.

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds and notes, urban renewal tax increment financing revenue bonds, local option sales and services tax revenue bonds and sewer and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Sewer and Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2012	875,000	37,450	410,000	324,988	439,000	210,210	1,724,000
2013	800,000	23,793	470,000	306,338	455,000	197,040	1,725,000	527,171
2014	200,000	10,193	480,000	284,792	466,000	183,390	1,146,000	478,375
2015	205,000	6,193	370,000	261,982	398,000	169,410	973,000	437,585
2016	50,000	1,375	425,000	243,668	410,000	157,470	885,000	402,513
2017-2021	-	-	2,595,000	868,912	2,241,000	595,350	4,836,000	1,464,262
2022-2026	-	-	1,875,000	193,092	2,598,000	238,470	4,473,000	431,562
Total	\$2,130,000	79,004	6,625,000	2,483,772	7,007,000	1,751,340	15,762,000	4,314,116

General Obligation Refunding Bonds

On May 18, 2010, the City issued \$2,775,000 of general obligation refunding bonds for the current refunding of \$920,000 of general obligation corporate purpose bonds issued July 1, 2005, a crossover advance refunding of \$255,000 of general obligation corporate purpose notes dated April 1, 2002 and for street improvements of \$1,600,000. The bonds bear interest at 0.85% to 2.75% per annum and mature June 1, 2016.

For the crossover advance refunding, the City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed in an escrow account for the express purpose of paying the principal and interest on the refunded general obligation bonds as they became due. For the current year, principal and interest paid were \$395,000 and \$23,179, respectively. The principal and interest on the refunded general obligations bonds refunded by the May 18, 2010 refunding bonds have now been paid in full.

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$6,500,000 of urban renewal tax increment financing (TIF) revenue bonds in November 2008 for the purpose of providing funds to pay a portion of the cost of carrying out a project in the Nevada Urban Renewal Area, consisting of constructing, equipping and furnishing the City Hall and Public Safety Facility, and redeeming the City’s outstanding urban renewal tax increment financing revenue bond anticipation project notes dated June 2007. The bonds bear interest at 3.00% to 5.10% per annum and mature June 1, 2024.

The City also issued \$475,000 of urban renewal tax increment financing revenue bonds in May 2009 for the purpose of paying a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding an economic development grant to the Nevada Economic Development Council in connection with the acquisition of certain real property for use in future business development initiatives. The bonds bear interest at 4.00% per annum and mature June 1, 2014.

The bonds are payable solely from TIF receipts generated by increased property values in the City's TIF district which are credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$9,108,772. For the current year, principal and interest paid and total TIF receipts were \$586,787 and \$1,403,236, respectively.

#### Sewer Revolving Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,114,000 of sewer revenue bonds issued in January 1995. The bonds bear interest at 3.0% per annum. The bonds are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require more than 100 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$249,250. For the current year, principal and interest paid and total customer net receipts were \$79,150 and \$(239,984), respectively.

The resolution providing for the issuance of the sewer revolving revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) A total of \$238,375 shall be set aside in a sewer revenue reserve account. This account is restricted for the purpose of paying the principal and interest on the bonds whenever the funds in the sinking account is insufficient.
- (d) All funds remaining in the sewer accounts after making the required transfers shall be placed in a sewer revenue surplus account. As long as the sinking and reserve accounts have the full amounts required to be deposited, the balance in the surplus account may be made available to the City as the Council may direct.

#### Water Revenue Bonds

On January 14, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$8,438,000 of water revenue bonds with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to pay the cost of constructing improvements and extensions to the water treatment plant. An initiation fee of 1% of the authorized borrowing for the water revenue bonds was charged by Wells Fargo Bank Iowa, N.A. The total initiation fee was withheld by the bank from the first proceeds of the water revenue bonds drawn by the City during the year ended June 30, 2007.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$ 8,438,000 of water revenue bonds issued in January 2005. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 87% of net receipts. The total principal and interest remaining to be paid on the

bonds is \$8,509,090. For the current year, principal and interest paid and total customer net receipts were \$566,750 and \$653,260, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

**(4) Interfund Loan**

On December 1, 2008, the City agreed to an interfund loan to advance \$433,786 from the Enterprise, Water Fund for the purpose of paying a portion of the costs of carrying out an urban renewal project in the Nevada Urban Renewal Area of the City, consisting of funding an economic development grant to the Nevada Economic Development Council in connection with the acquisition of certain real property for use in future business development initiatives. Payments are to be made on June 1 and December 1 of each year. The loan bears interest at 3.50% per annum and matures June 1, 2011 to the extent there are TIF receipts available. During the year ended June 30, 2011, the remaining principal and interest of \$283,786 and \$9,933, respectively, were paid.

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$141,996, \$138,290 and \$124,170, respectively, equal to the required contributions for each year.

**(6) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 38 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical drug benefits are provided through a fully-insured plan with Health Alliance. The prescription drug benefits plan is a self-funded plan through the City. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$355 for single coverage, \$695 for employee/spouse coverage, \$657 for employee/children coverage and \$1,136 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$162,429 and plan members eligible for benefits contributed \$27,188 to the plan.

**(7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate earned but unused sick leave hours for subsequent use or for payment upon retirement or death, up to a maximum of \$1,500. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 162,000
Compensatory time	22,000
Sick leave	2,000
Total	<u>\$ 186,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

**(8) Contractual Commitments**

The City entered into various construction contracts totaling approximately \$5,890,000. The unpaid contract balances as of June 30, 2011 totaled approximately \$478,000, which will be paid as work on the projects progresses.

**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 251,500
	Employee Benefits	397,888
		<u>649,388</u>
Special Revenue: Road Use Tax	Special Revenue: Local Option Sales and Services Tax	<u>60,000</u>
Debt Service	Special Revenue: Urban Renewal Tax Increment	<u>321,406</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	46,291
	Senior Center Trust	257,471
	Enterprise:	
	Water	225,811
	Sewer	118,923
	Storm Water	75,000
		<u>723,496</u>
Enterprise: Water	Special Revenue: Urban Renewal Tax Increment	<u>283,786</u>
Total		<u>\$ 2,038,076</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(10) Industrial Development Revenue Bonds**

The City has issued a total of \$2,363,229 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,333,811 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

**(11) Landfill Contract**

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15<sup>th</sup> of each year, the City of Ames will notify the City of its proportionate share of the net costs of the system for the prior calendar year. The City will pay the City of Ames one-half of its share on July 15<sup>th</sup> and one-half on or before December 15<sup>th</sup> of each year. The annual rate of the contract is determined by multiplying the net per capita cost by the population of the City of Nevada. The amount paid for calendar year 2011 was \$69,909.

**(12) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$133,350.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also



reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(13) Development Agreements**

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvements of buildings. Certain agreements also require the developer to certify specific employment requirements are met. The total to be paid by the City under the agreements is not to exceed \$2,130,821.

The City rebated \$158,789 during fiscal year 2011, for a total of \$797,473 of incremental property tax rebated under the agreements. The outstanding balance of the agreements at June 30, 2011 with fixed dollar commitments was \$1,392,348.

### **(14) Deficit Balance**

The Enterprise, Sanitation Fund had a deficit balance of \$885 at June 30, 2011. The deficit balance was a result of a fluctuation in the number of customers and uncollected fees at the end of the fiscal year.

### **(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. As a result, the Special Revenue, Emergency Levy Fund has been reclassified as part of the General Fund. However, because the Special Revenue, Emergency Levy Fund did not have a beginning balance, no restatement of the General Fund beginning balance was necessary.

**City of Nevada**

**Required Supplementary Information**

City of Nevada

Budgetary Comparison Schedule  
of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,390,310	-	-
Tax increment financing	1,403,236	-	-
Other city tax	896,047	-	-
Licenses and permits	97,724	-	-
Use of money and property	241,686	65,258	605
Intergovernmental	884,249	-	18,643
Charges for service	252,505	2,673,299	42,029
Special assessments	4,393	-	-
Miscellaneous	276,454	149,336	35,359
Total receipts	6,446,604	2,887,893	96,636
Disbursements:			
Public safety	1,127,061	10,426	65,651
Public works	664,466	2,205	2,205
Health and social services	66,568	-	-
Culture and recreation	1,367,576	14,466	22,091
Community and economic development	370,341	121	121
General government	280,430	5,664	5,664
Debt service	1,886,046	-	-
Capital projects	1,677,280	-	-
Business type activities	-	2,988,769	5,711
Total disbursements	7,439,768	3,021,651	101,443
Excess (deficiency) of receipts over (under) disbursements	(993,164)	(133,758)	(4,807)
Other financing sources (uses), net	188,901	(135,948)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(804,263)	(269,706)	(4,807)
Balances beginning of year	6,753,603	4,034,047	88,646
Balances end of year	\$ 5,949,340	3,764,341	83,839

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,390,310	2,383,663	2,383,663	6,647
1,403,236	1,376,325	1,376,325	26,911
896,047	731,351	731,351	164,696
97,724	76,900	86,149	11,575
306,339	160,851	160,851	145,488
865,606	820,778	846,766	18,840
2,883,775	3,162,692	3,162,692	(278,917)
4,393	-	-	4,393
390,431	280,177	280,177	110,254
<u>9,237,861</u>	<u>8,992,737</u>	<u>9,027,974</u>	<u>209,887</u>
1,071,836	1,155,343	1,172,373	100,537
664,466	795,494	820,877	156,411
66,568	62,020	67,020	452
1,359,951	1,471,212	1,489,904	129,953
370,341	334,220	392,028	21,687
280,430	312,634	312,634	32,204
1,886,046	1,995,173	1,995,173	109,127
1,677,280	2,222,050	2,268,326	591,046
2,983,058	3,707,200	3,707,200	724,142
<u>10,359,976</u>	<u>12,055,346</u>	<u>12,225,535</u>	<u>1,865,559</u>
(1,122,115)	(3,062,609)	(3,197,561)	2,075,446
52,953	-	-	52,953
(1,069,162)	(3,062,609)	(3,197,561)	2,128,399
10,699,004	8,105,483	8,598,406	2,100,598
<u>9,629,842</u>	<u>5,042,874</u>	<u>5,400,845</u>	<u>4,228,997</u>

City of Nevada

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except component units and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$170,189. The budget amendments are reflected in the final budgeted amounts.

Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the health and social services function before the final budget amendment was approved.

**Other Supplementary Information**

City of Nevada

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Employee Benefits	Cemetery Memorials	Cemetery Foundation Trust	Library Trust	Fire Trust	S.C.O.R.E. Undesignated
<b>Receipts:</b>						
Property tax	\$ 395,701	-	-	-	-	-
Other city tax	12,440	-	-	-	-	-
Use of money and property	2,827	29	-	1,059	96	384
Intergovernmental	-	-	-	6,220	-	-
Charges for service	-	-	-	-	-	-
Miscellaneous	-	-	-	18,657	885	200
Total receipts	410,968	29	-	25,936	981	584
<b>Disbursements:</b>						
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	25,408	-	-
Community and economic development	-	-	-	-	-	-
Total disbursements	-	-	-	25,408	-	-
Excess (deficiency) of receipts over (under) disbursements	410,968	29	-	528	981	584
<b>Other financing uses:</b>						
Operating transfers out	(397,888)	-	-	-	-	-
Net change in cash balances	13,080	29	-	528	981	584
Cash balances beginning of year	-	2,575	23	89,038	7,595	33,042
Cash balances end of year	\$ 13,080	2,604	23	89,566	8,576	33,626
<b>Cash Basis Fund Balances</b>						
Nonspendable	\$ -	-	-	-	-	-
Restricted for other purposes	13,080	2,604	23	89,566	8,576	33,626
Total cash basis fund balances	\$ 13,080	2,604	23	89,566	8,576	33,626



Special Revenue										
S.C.O.R.E. Operation & Maintenance	Senior Center Trust	Gates Hall Piano	Parks and Recreation Open Space	Columbarium Maintenance	Trail Maintenance	Danielson Trust	Trees Forever	4th of July Trust	Police Forfeiture	
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
23	1,884	205	17,221	12	290	33,297	47	26	125	
-	-	-	-	-	-	-	-	-	-	-
-	-	-	711	60	-	-	-	-	-	-
-	48,116	-	51	-	-	-	-	4,992	-	-
23	50,000	205	17,983	72	290	33,297	47	5,018	125	
-	-	-	-	-	-	-	-	-	-	-
2,375	1,129	200	2,440	-	6,513	7,949	-	-	-	-
-	-	-	-	-	-	-	-	3,157	-	-
2,375	1,129	200	2,440	-	6,513	7,949	-	3,157	-	-
(2,352)	48,871	5	15,543	72	(6,223)	25,348	47	1,861	125	
-	(257,471)	-	-	-	-	-	-	-	-	-
(2,352)	(208,600)	5	15,543	72	(6,223)	25,348	47	1,861	125	
2,589	214,805	17,773	57,251	997	26,354	273,554	4,088	1,521	10,800	
237	6,205	17,778	72,794	1,069	20,131	298,902	4,135	3,382	10,925	
-	-	-	-	-	-	-	-	-	-	-
237	6,205	17,778	72,794	1,069	20,131	298,902	4,135	3,382	10,925	
237	6,205	17,778	72,794	1,069	20,131	298,902	4,135	3,382	10,925	

**Schedule 1**

## City of Nevada

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue				Permanent		Total
	Nevada Firefighters Association	Nevada First Responders	Senior Citizen Center	Friends of the Library	Cemetery Perpetual Care	Parks Planting (Hattery)	
Receipts:							
Property tax	-	-	-	-	-	-	395,701
Other city tax	-	-	-	-	-	-	12,440
Use of money and property	416	187	2	-	2,340	-	60,470
Intergovernmental	9,397	9,245	-	-	-	-	24,862
Charges for service	-	-	-	-	-	-	771
Miscellaneous	22,411	2,616	5,191	5,142	-	-	108,261
Total receipts	32,224	12,048	5,193	5,142	2,340	-	602,505
Disbursements:							
Public safety	44,866	10,359	-	-	-	-	55,225
Culture and recreation	-	-	2,746	4,879	-	-	53,639
Community and economic development	-	-	-	-	-	-	3,157
Total disbursements	44,866	10,359	2,746	4,879	-	-	112,021
Excess (deficiency) of receipts over (under) disbursements	(12,642)	1,689	2,447	263	2,340	-	490,484
Other financing uses:							
Operating transfers out	-	-	-	-	-	-	(655,359)
Net change in cash balances	(12,642)	1,689	2,447	263	2,340	-	(164,875)
Cash balances beginning of year	43,675	32,686	3,593	5,682	114,363	5,000	947,004
Cash balances end of year	31,033	34,375	6,040	5,945	116,703	5,000	782,129
<b>Cash Basis Fund Balances</b>							
Nonspendable	-	-	-	-	114,363	5,000	119,363
Restricted for other purposes	31,033	34,375	6,040	5,945	2,340	-	662,766
Total cash basis fund balances	31,033	34,375	6,040	5,945	116,703	5,000	782,129

See accompanying independent auditor's report.

## City of Nevada

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2011

	Entereprise		
	Sanitation	Storm Water	Total
Operating receipts:			
Charges for service	\$ 68,550	47,857	116,407
Miscellaneous	665	233	898
Total operating receipts	69,215	48,090	117,305
Operating disbursements:			
Business type activities	70,573	234	70,807
Excess (deficiency) of operating receipts over (under) operating disbursements	(1,358)	47,856	46,498
Non-operating receipts:			
Interest on investments	-	415	415
Excess (deficiency) of receipts over (under) disbursements	(1,358)	48,271	46,913
Operating transfers out	-	(75,000)	(75,000)
Net change in cash balances	(1,358)	(26,729)	(28,087)
Cash balances beginning of year	473	47,959	48,432
Cash balances end of year	\$ (885)	21,230	20,345
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ (885)	21,230	20,345

See accompanying independent auditor's report.

City of Nevada  
Schedule of Indebtedness  
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Corporate purpose	Apr 1, 2002	3.00-5.40%	\$ 770,000
Corporate purpose and refunding	Nov 15, 2008	2.65-3.40	635,000
Street improvement and refunding	May 18, 2010	0.85-2.75	2,775,000
Total			
Urban renewal tax increment financing:			
Revenue bonds	Nov 15, 2008	3.00-5.10%	\$ 6,500,000
Revenue bonds	May 6, 2009	4.00	475,000
Total			
Revenue bonds:			
Sewer revolving	Jan 3, 1995	3.00%	\$ 1,114,000
Water	Jan 14, 2005 *	3.00	8,438,000
Total			

\* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
395,000	-	395,000	-	23,179
180,000	-	90,000	90,000	5,850
2,775,000	-	735,000	2,040,000	39,321
<b>\$ 3,350,000</b>	-	1,220,000	2,130,000	68,350
6,400,000	-	200,000	6,200,000	317,787
475,000	-	50,000	425,000	19,000
<b>\$ 6,875,000</b>	-	250,000	6,625,000	336,787
305,000	-	70,000	235,000	9,150
7,125,000	-	353,000	6,772,000	213,750
<b>\$ 7,430,000</b>	-	423,000	7,007,000	222,900

City of Nevada  
Bond and Note Maturities  
June 30, 2011

Year Ending June 30,	General Obligation Bonds and Notes					Total
	Corporate Purpose and Refunding		Corporate Purpose and Refunding			
	Issued Nov 15, 2008		Issued May 18, 2010			
	Interest Rates	Amount	Interest Rates	Amount		
2012	3.40 %	\$ 90,000	1.35 %	\$ 785,000	875,000	
2013		-	1.70	800,000	800,000	
2014		-	2.00	200,000	200,000	
2015		-	2.35	205,000	205,000	
2016		-	2.75	50,000	50,000	
2017		-		-	-	
2018		-		-	-	
2019		-		-	-	
2020		-		-	-	
2021		-		-	-	
2022		-		-	-	
2023		-		-	-	
2024		-		-	-	
<b>Total</b>		<u>\$ 90,000</u>		<u>\$ 2,040,000</u>	<u>2,130,000</u>	

Year Ending June 30,	Revenue Bonds					Total
	Sewer Revolving		Water			
	Issued Jan 3, 1995		Issued Jan 14, 2005			
	Interest Rates	Amount	Interest Rates	Amount		
2012	3.00 %	\$ 75,000	3.00 %	\$ 364,000	439,000	
2013	3.00	80,000	3.00	375,000	455,000	
2014	3.00	80,000	3.00	386,000	466,000	
2015		-	3.00	398,000	398,000	
2016		-	3.00	410,000	410,000	
2017		-	3.00	422,000	422,000	
2018		-	3.00	435,000	435,000	
2019		-	3.00	448,000	448,000	
2020		-	3.00	461,000	461,000	
2021		-	3.00	475,000	475,000	
2022		-	3.00	489,000	489,000	
2023		-	3.00	504,000	504,000	
2024		-	3.00	519,000	519,000	
2025		-	3.00	535,000	535,000	
2026		-	3.00	551,000	551,000	
<b>Total</b>		<u>\$ 235,000</u>		<u>\$ 6,772,000</u>	<u>7,007,000</u>	

See accompanying independent auditor's report.

Urban Renewal Tax Increment Financing Revenue Bonds				
Issued Nov 15, 2008		Issued May 6, 2009		Total
Interest Rates	Amount	Interest Rates	Amount	
3.50 %	\$ 250,000	4.00 %	\$ 160,000	410,000
3.75	305,000	4.00	165,000	470,000
4.05	380,000	4.00	100,000	480,000
4.20	370,000		-	370,000
4.35	425,000		-	425,000
4.50	470,000		-	470,000
4.65	495,000		-	495,000
4.75	520,000		-	520,000
4.85	540,000		-	540,000
4.95	570,000		-	570,000
5.00	595,000		-	595,000
5.05	625,000		-	625,000
5.10	655,000		-	655,000
	<u>\$ 6,200,000</u>		<u>\$ 425,000</u>	<u>6,625,000</u>

City of Nevada

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Nine Years

	2011	2010	2009	2008
<b>Receipts:</b>				
Property tax	\$ 2,390,310	2,203,777	2,001,007	1,974,976
Tax increment financing	1,403,236	1,608,637	1,712,528	1,690,937
Other city tax	896,047	879,528	954,164	879,359
Licenses and permits	97,724	79,754	68,272	109,162
Use of money and property	241,686	196,309	178,998	441,545
Intergovernmental	884,249	1,072,579	984,654	833,181
Charges for service	252,505	295,664	307,607	273,067
Special assessments	4,393	7,673	17,743	22,336
Miscellaneous	276,454	290,632	436,042	358,416
<b>Total</b>	<b>\$ 6,446,604</b>	<b>6,634,553</b>	<b>6,661,015</b>	<b>6,582,979</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,127,061	1,125,704	1,058,708	1,085,431
Public works	664,466	660,064	684,043	732,940
Health and social services	66,568	73,044	77,900	77,400
Culture and recreation	1,367,576	1,276,238	1,317,201	1,316,512
Community and economic development	370,341	230,845	2,625,884	309,060
General government	280,430	287,015	360,764	234,998
Debt service	1,886,046	1,945,808	2,123,130	1,663,077
Capital projects	1,677,280	1,061,197	2,524,989	5,500,082
<b>Total</b>	<b>\$ 7,439,768</b>	<b>6,659,915</b>	<b>10,772,619</b>	<b>10,919,500</b>

See accompanying independent auditor's report.



2007	2006	2005	2004	2003
1,945,558	1,882,187	1,814,633	1,801,612	1,718,176
1,284,881	1,132,882	1,022,084	901,080	766,134
850,186	854,838	795,059	820,905	742,649
95,505	115,617	55,050	59,477	21,901
343,833	292,670	227,267	241,654	539,485
1,224,798	988,672	905,229	1,137,248	1,045,642
249,255	273,637	249,297	217,837	260,981
33,229	27,728	38,760	133,497	37,870
696,210	230,768	380,396	430,501	464,462
<u>6,723,455</u>	<u>5,798,999</u>	<u>5,487,775</u>	<u>5,743,811</u>	<u>5,597,300</u>
1,454,443	1,134,005	905,856	856,395	996,461
561,308	619,657	738,155	643,837	576,375
81,400	78,300	74,300	59,186	50,186
1,211,953	1,121,741	1,135,262	1,025,676	1,075,442
417,823	315,862	448,862	367,883	210,711
258,858	237,015	237,445	212,549	238,525
1,430,663	1,382,022	1,165,018	1,467,813	665,562
<u>2,851,275</u>	<u>3,282,679</u>	<u>1,129,387</u>	<u>1,401,504</u>	<u>2,925,419</u>
<u>8,267,723</u>	<u>8,171,281</u>	<u>5,834,285</u>	<u>6,034,843</u>	<u>6,738,681</u>

**City of Nevada**



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Nevada, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 7, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Nevada is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Nevada's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Nevada's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Nevada's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Nevada's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (F) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (G) through (J) to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

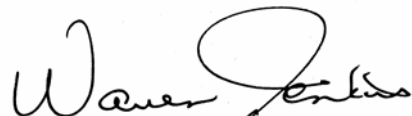
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Nevada's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Nevada's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Nevada and other parties to whom the City of Nevada may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Nevada during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 7, 2012

City of Nevada

Schedule of Findings

Year ended June 30, 2011

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the City’s financial statements. One or two individuals identified may have control over the following areas for which no compensating controls exist:

- (1) The person who handles cash receipts also prepares bank deposits and reconciles the bank account.
- (2) The bank reconciliation is not reviewed by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, a review of the operating procedures of the office should be performed to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Reviews should be performed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Cash receipts will be handled by other personnel than reconciles the bank account as much as possible. The bank reconciliation will be reviewed by an independent person.

Conclusion – Response accepted.

(B) Nevada First Responders – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Responder’s financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, no bank reconciliation is prepared.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. A listing of receipts and formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will try to implement the suggested procedures.

Conclusion – Response accepted.

City of Nevada

Schedule of Findings

Year ended June 30, 2011

- (C) Nevada Economic Development Council (NEDC) – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Council’s financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, bank reconciliations are not reviewed and were not prepared for all months.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The President will sign off on the balance statement, profit and loss and disbursement sheet at monthly meetings as presented. The President will also sign off on monthly bank reconciliations.

Conclusion – Response accepted.

- (D) Nevada Fire Fighters – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Fire Fighter’s financial statement. Generally, one individual has control over collecting, depositing and posting for which no compensating controls exist. In addition, bank reconciliations are not prepared. Although bank statements were reviewed, they were not reviewed timely.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – All recommendations will be taken under advisement.

Conclusion – Response acknowledged. The recommendations should be implemented.

- (E) Nevada Senior Citizen Center – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Center’s financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, bank reconciliations are not reviewed.

City of Nevada

Schedule of Findings

Year ended June 30, 2011

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The bank statements and monthly financial reports will be reviewed by Board personnel. At this time (monthly), there are only 6 – 8 transactions to be reviewed.

Conclusion – Response accepted.

- (F) Nevada Friends of the Library – During our review of internal control, the existing controls were evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same individual. This segregation of duties helps to prevent losses from error or dishonesty and, therefore, maximizes the accuracy of the Friends' financial statement. Generally, one individual has control over collecting, depositing, posting and bank reconciliations for which no compensating controls exist. In addition, bank reconciliations are not reviewed.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials should be utilized to provide additional control through review of financial transactions and reconciliations. Formal bank reconciliations should be prepared. The bank reconciliations should be reviewed by an independent person and the review should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will implement this recommendation

Conclusion – Response accepted.

- (G) Nevada First Responders – The signature cards held by the bank do not accurately reflect the current approved check signers. The signers currently on the signature cards are no longer members.

Recommendation – Signature cards held by the bank should be updated to reflect the current approved check signers.

Response – The next meeting we have a quorum we will take the proper steps to make these changes.

Conclusion – Response accepted.

- (H) Nevada Economic Development Council (NEDC) – There was no indication of the date collections were received. Therefore, we were not able to determine if receipts were deposited timely.

Recommendation – When collections are received, a receipt register should be prepared to indicate the date of receipt, the payer and the amount of funds received.

City of Nevada

Schedule of Findings

Year ended June 30, 2011

Response – Will indicate on bank deposit receipt the date the collections are received in the office and will also show on monthly receipt and disbursement sheet.

Conclusion – Response accepted.

- (I) Nevada Firefighters – The signature cards held by the bank do not accurately reflect the current approved check signers. The signers currently on the signature cards are no longer members.

Recommendation – Signature cards held by the bank should be updated to reflect the current approved check signers.

Response – All recommendations are taken under advisement.

Conclusion – Response acknowledged. The recommendations should be implemented.

- (J) Nevada Senior Citizen Center – Supporting documentation for disbursements was not located for four of five transactions tested and supporting documentation for receipts was not retained to determine whether receipts were deposited timely and intact.

Recommendation – Supporting documentation should be retained for all receipts and disbursements.

Response – Usually cash is deposited by an activity leader. We have now begun to retain the deposit receipts and the person who made the deposit is initialing the receipt as well as a second person. We will begin retaining and cancelling disbursements by posting the check number on the invoice.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.



City of Nevada  
 Schedule of Findings  
 Year ended June 30, 2011

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the health and social services function before the final budget amendment was approved. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Mosquito spray was purchased and paid for during the process to amend the budget. The purchase saved the City significant funds. Staff will attempt to have all purchases made after a budget amendment is completed.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Andrew Kelly, Council Member, Owner of Kelly Laundry Service	Laundry service	\$ 600
Janice Milam, employee, Husband owns Milam Concrete and Construction	2009 Sidewalk Repair Project per bid	68,781

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions for the laundry service were less than \$1,500 during the fiscal year and the sidewalk repair project was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Nevada

Schedule of Findings

Year ended June 30, 2011

- (8) Revenue Bonds – No instances of non-compliance with the revenue bond requirements for the year ended June 30, 2011 were noted.
- (9) Bequest to the Nevada Public Library – During the year ended June 30, 2008, the Nevada Public Library was named as a beneficiary in a last will and testament and had the proceeds (Bequest) remitted directly to the Greater Des Moines Community Foundation (Foundation). The Library signed an “Agency Endowed Fund Agreement” for \$170,000 and an “Agency Permanent Endowed Fund Agreement” for \$10,000 with the Foundation. Both agreements state, in part, “the Agency hereby irrevocably assigns, conveys, transfers and delivers to the GDMCF (Foundation) all of the Agency’s rights, title and interest in the property described.” As of June 30, 2011, these funds were still held by the Foundation.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.” In addition, Chapter 392.5 of the Code of Iowa states, in part, “A library board may accept and control the expenditure of all gifts, devises, and bequests to the library.”

Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property.”

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit Foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2009. The advice letter states, in part:

“... I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be ‘public funds,’ subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking.”

In addition, consistent with the Iowa Attorney General’s advice letter, the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapters 12B and 12C of the Code of Iowa and rules of the City. According to financial reports of the Foundation, the Foundation had investments in domestic and

City of Nevada

Schedule of Findings

Year ended June 30, 2011

international equities, fixed income, hedge funds, real estate, private equity and cash at August 31, 2010. These types of investments are not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Also, the agreement with the Foundation does not require the Foundation to notify the City, in writing, of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the agreement.

Recommendation – A 28E agreement, as described in the advice letter, does not exist. We are not aware of any statutory authority for the Library Board and/or the City to relinquish its fiduciary responsibility over the public funds trust account to a separate non-profit organization.

The Nevada Library Board of Directors, through its action to give these public funds to the Foundation during the year ended June 30, 2008, has put these public funds at risk since the Library Board of Directors and the Foundation have not invested and accounted for the proceeds from the Bequest, including all income derived from the investment of the Bequest, as required by Chapter 12B.10(5) of the Code of Iowa and Chapter 384.20 of the Code of Iowa.

The City should consult legal counsel and recover the remaining proceeds of the Bequest held by the Foundation, including all income derived from the investment of the Bequest from the time it was remitted to the Foundation. In addition, the City should require an immediate accounting for these public funds from the date of the gift.

Until the City recovers the funds, it should seek to amend the agreement with the Foundation to require the Foundation to notify the City, in writing, of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the types of services being provided under the agreement.

Response - The funds remain with the Story County Community Foundation (Community Foundation of Greater Des Moines) until the value of the fund reaches \$172,500 (\$180,000 original donation less two disbursements of \$2,500 and \$5,000). When the fund value reaches \$172,000, the Library will withdraw the funds and move them to investments allowed under the City's investment policy.

Conclusion – Response acknowledged. The City should continue working with legal counsel to recover the remaining proceeds of the Bequest.

- (10) Financial Condition – The Enterprise, Sanitation Fund had a deficit balance of \$885 at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The Council is considering a change to the fee formula which should increase receipts for the fund.

Conclusion – Response accepted.


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City of Nevada

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager  
Janet K. Mortvedt, CPA, Staff Auditor  
Leanna Showman, Staff Auditor  
Tyler Carter, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State